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# REPORT
# ON
# LEGISLATIVE REVIEW ACTIVITY
# DURING THE 99TH CONGRESS
# OF THE
# COMMITTEE ON
# WAYS AND MEANS

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# REPORT ON LEGISLATIVE REVIEW ACTIVITY DURING THE 99TH CONGRESS OF THE COMMITTEE ON WAYS AND MEANS

## FOREWORD

Section 136 of the Legislative Reorganization Act of 1946, as originally enacted, provided for legislative review by standing committees of the House of Representatives of the execution of laws falling within the jurisdiction of such committees. The Legislative Reorganization Act of 1970 (Public Law 91-510) and Public Law 92-136 amended the 1946 provision to add the requirement that the jurisdictional standing committees of the House file in "each odd numbered year * * * not later than January 2 * * * a report on the activities of that committee * * * during the Congress ending at noon on January 3 of such year".

The full text of section 136 of the Legislative Reorganization Act of 1946 (2 U.S.C. 190d), as amended by the Legislative Reorganization Act of 1970 (Public Law 91-510), by Public Law 92-136 and by Public Law 93-344 is provided below:

> SEC. 136. (a) In order to assist the Congress in—
>
> (1) Its analysis, appraisal, and evaluation of the application, administration, and execution of the laws enacted by the Congress, and
>
> (2) Its formulation, consideration, and enactment of such modification of or changes in those laws, and of such additional legislation, as may be necessary or appropriate.
>
> each standing committee of the Senate and the House of Representatives shall review and study, on a continuing basis, the application, administration, and execution of those laws, or parts of laws, the subject matter of which is within the jurisdiction of that committee. Such committees may carry out the required analysis, appraisal, and evaluation themselves, or by contract, or may require a Government agency to do so and furnish a report thereon to the Congress. Such committees may rely on such techniques as pilot testing, analysis of costs in comparison with benefits, or provision for evaluation after a defined period of time.
>
> (b) In each odd-numbered year beginning on or after January 1, 1973, each standing committee of the Senate shall submit, not later than March 31, to the Senate, and each standing committee of the House shall submit, not later than January 2, to the House, a report on the activities of that committee under this section during the Congress ending at noon on January 3 of such year.

(c) The preceding provisions of this section do not apply to the Committees on Appropriations and the Budget of the Senate and the Committees on Appropriations, the Budget, House Administration, Rules, and Standards of Official Conduct of the House.

The following report is submitted by the Committee on Ways and Means pursuant to the above provisions of law.

## LEGISLATIVE JURISDICTION

The legislative jurisdiction of the Committee on Ways and Means during the 99th Congress was provided by rule X, clause 1 of the Rules of the House of Representatives, as follows:

(v) Committee on Ways and Means—

(1) Customs, collection districts, and ports of entry and delivery.

(2) Reciprocal trade agreements.

(3) Revenue measures generally.

(4) Revenue measures relating to the insular possessions.

(5) The bonded debt of the United States (subject to the last sentence of clause 4(g) of this rule.[1]

(6) The deposit of public moneys.

(7) Transportation of dutiable goods.

(8) Tax-exempt foundations and charitable trusts.

(9) National social security, except (A) health care and facilities programs that are supported from general revenues as opposed to payroll deductions and (B) work incentive programs.

In the 99th Congress, the Committee on Ways and Means had six standing subcommittees:

Subcommittee on Oversight;
Subcommittee on Social Security;
Subcommittee on Health;
Subcommittee on Trade;
Subcommittee on Public Assistance and Unemployment Compensation; and
Subcommittee on Select Revenue Measures.

Under Rule 4(6) of the Rules of the Committee on Ways and Means, the jurisdiction of the Subcommittee on Oversight:

> * * * includes all matters within the scope of the Committee but shall be limited to existing law and said oversight jurisdiction shall not be exclusive but shall be concurrent with that of the other subcommittees, and with respect to matters involving the Internal Revenue Code said concurrent jurisdiction shall be shared with the full Committee. Before undertaking any investigation or hearing the Chairman of the Subcommittee on Oversight shall confer with the Chairman of the full Committee and the Chairman of any other subcommittee having jurisdiction.

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[1] The last sentence of clause 4(g) requires the Committee on Ways and Means to include in its annual March 15 report to the Budget Committee a specific recommendation as to the appropriate level of the public debt which would then be set forth in the concurrent resolution on the budget and serve as the basis for an increase or decrease in the statutory limit on the debt.

Pursuant to this provision of the committee's rules, each of the legislative subcommittees and the full committee have conducted oversight activities in their own areas of jurisdiction, while the Subcommittee on Oversight has provided special attention to particular areas of concern to the committee.

While the Committee on Ways and Means has always provided legislative review of the programs under its jurisdiction, largely through its tradition of frequent and extensive public hearings, the establishment of specific subcommittees in 1974, including the Subcommittee on Oversight, significantly increased the committee's legislative review capability. Accordingly, the legislative review activities of the committee and its subcommittees during the 99th Congress resulted in more efficient and effective administration of the laws and programs under the committee's jurisdiction.

The membership of the Committee on Ways and Means and its six subcommittees in the 99th Congress was as follows:

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BILL GRADISON, Ohio
W. HENSON MOORE, Louisiana
CARROLL A. CAMPBELL, JR., South Carolina
WILLIAM M. THOMAS, California
RAYMOND J. McGRATH, New York
HAL DAUB, Nebraska
JUDD GREGG, New Hampshire

[1] Resigned July 11, 1986.
[2] Assigned July 29, 1986.

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SUBCOMMITTEE ON TRADE

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CECIL (CEC) HEFTEL, Hawaii [1]
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RICHARD A. GEPHARDT, Missouri
FRANK J. GUARINI, New Jersey
ROBERT T. MATSUI, California [2]

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WILLIAM J. COYNE, Pennsylvania
SAM M. GIBBONS, Florida
MICHAEL A. ANDREWS, Texas [2]
BILL ARCHER, Texas
PHILIP M. CRANE, Illinois
HAL DAUB, Nebraska
JUDD GREGG, New Hampshire

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SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

HAROLD FORD, Tennessee, *Chairman*

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DON J. PEASE, Ohio
ROBERT T. MATSUI, California
BARBARA B. KENNELLY, Connecticut
CARROLL A. CAMPBELL, JR., South Carolina
BILL FRENZEL, Minnesota
BILL GRADISON, Ohio

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[1] Resigned July 11, 1986.
[2] Assigned October 9, 1986.
[3] Resigned October 9, 1986.

The legislative review activities of the Committee and its Subcommittees in the 99th Congress in each major jurisdictional area are discussed below.

## THE INTERNAL REVENUE CODE

### A. TAX REFORM AND TAX SIMPLIFICATION

In the 99th Congress, the Committee on Ways and Means completed action on H.R. 3838, the most comprehensive tax legislation since enactment of the Internal Revenue Code of 1954, after a year-long comprehensive review by the Committee and subcommittees in public hearings and markup sessions. As a result, the bill redesignates the 1954 Code as the Internal Revenue Code of 1986. The main purpose of the bill is to improve the fairness and economic efficiency of the prior tax system. The bill broadens the tax base and lowers tax rates, eliminates many tax shelters, restructures capital formation provisions, shifts a portion of the tax burden from individuals to corporations, and enacts a strengthened minimum tax. Over a 5-year period (fiscal 1986–1990), the bill is estimated to be revenue neutral. Below is an overall chronology of the legislative background in the 99th Congress of the revenue provisions of H.R. 3838, enacted into law as the Tax Reform Act of 1986 (Public Law 99–514).

*1. House Action*

*H.R. 3838 as originally reported:* H.R. 3838 was introduced and ordered favorably reported on December 3, 1985, after extensive hearings and markup. The bill, entitled the "Tax Reform Act of 1985" (H. Rept. 99–426), was passed by the House of Representatives on December 17, 1985.

*H.R. 3838 Committee Hearings:* The full Committee held 30 days of public hearings on comprehensive tax reform proposals. The Committee began public hearings on February 27, 1985. Committee hearings on tax reform issues continued on March 26; May 30; June 4, 5, 7, 11–14, 17, 18, 20, 24–27; and July 8–12, 17, 19, 22, 25, 26, 29–31. A Committee hearing also was held on May 16, 1985, on proposed technical corrections to the Deficit Reduction Act of 1984 (H.R. 1800) and to the Retirement Equity Act of 1984 (H.R. 2100).

Included in the Committee's tax reform hearing consideration was the President's tax reform proposal made in May 1985 ("The President's Tax Reform Proposals to the Congress for Fairness, Growth, and Simplicity").

*H.R. 3838 Subcommittee Hearings:* Several Subcommittee hearings were held during 1985 that relate to subject matters included in H.R. 3838:

SUBCOMMITTEE ON SELECT REVENUE MEASURES.—The Select Revenue Measures Subcommittee held hearings on the following areas: March 19—Targeted jobs tax credit; April 1, 2, 16—Acquisitions and mergers (with Oversight Subcommittee); April 25—Attorneys' fees; May 22—Carryover of net operating losses (NOLs); and June 6—Tax burdens of low-income wage earners. Based on the record developed by the Subcommittee and other information, modifications to each of those areas were subsequently enacted as part of the tax reform bill.

The Subcommittee continued hearing on miscellaneous bills on May 12 and May 19, 1986. The following bills were subsequently included in H.R. 3838: H.R. 724 (to allow property seized for the col-

lection of taxes to be released to the property owner in certain cases); H.R. 1622 (to exclude from income the value of lodging located in the proximity of an educational institution and rented by the institution to its employees at costs); H.R. 1667 (to allow a deduction for certain freight forwarder operating authorities); H.R. 1733 (to allow an amortization deduction for bus operating rights based on a 60-month period); H.R. 4575 (to prevent the avoidance of certain pension requirements through the use of leased employees); H.R. 4596 (to make certain changes with respect to the Tax Court); part of H.R. 4597 (to make certain changes relating to the administration of the excise taxes on alcohol, tobacco, and firearms, and for other purposes); H.R. 3301 (to exempt from taxation corporations or trusts that acquire and manage real property for certain other exempt organizations); H.R. 4056 (to deny the benefits of section 911 to individuals who are in a foreign country in violation of an Executive Order); H.R. 4379 (to provide that nonrecognition of gain on the sale of a principal residence shall apply where one of the spouses who occupied the old residence dies before occupying the new residence); H.R 4594 (to provide that certain amounts received by a qualified cooperative housing corporation in connection with the refinancing of indebtedness of such corporation shall not be subject to Federal income tax); and part of H.R. 4597 (to make certain changes relating to the administration of excise taxes on alcohol, tobacco, and firearms).

The following bills were discussed in the May 5 and May 12 public hearings but were not included in the tax reform bill: H.R. 64 (to allow employers a tax credit for hiring displaced homemakers); H.R. 2473 (to deny a deduction for amounts paid as restitution or other damages for violations of law involving fraud); H.R. 4578 (to provide that the full amount of excise taxes imposed on rum produced in the Virgin Islands shall be covered over to the Virgin Islands); part of H.R. 4597 (to make changes relating to the administration of the excise taxes on alcohol, tobacco, and firearms); H.R. 4603 (to provide that certain costs of a private foundation in removing hazardous substances shall be treated as qualifying distributions under Code Section 4942); H.R. 3139 (to exempt certain emergency medical transportation from excise tax on transportation by air); and H.R. 4077 (to provide that the interest on an obligation issued to provide property for use by an electric utility is not exempt from tax if such utility fails to adhere to certain "take or pay agreements" entered into in connection with the proposed construction of certain nuclear electric generating facilities).

SUBCOMMITTEE ON OVERSIGHT.—In 1985, the Oversight Subcommittee held hearings for tax reform in the following areas: April 1, 2, 16 (with Select Revenue Measures Subcommittee)—Acquisitions and mergers; July 18, September 5, 6—Retirement income security (with Social Security Subcommittee); June 21 and August 1—Tax-exempt multifamily housing bonds; and September 20—High-income taxpayers and related partnership tax issues. [See also Money Laundering, below.] Based on the record developed by the Subcommittee and other information, modifications to each of those areas were subsequently enacted as part of the tax reform bill.

In 1986, the subcommittee held a hearing on tax reform in the following area: July 15—Evasion of gasoline excise taxes. [See also Tax Treatment of Pass Through Entities, below.] Based on the record developed by the Subcommittee, provisions, proposed by the Administration, imposing the gasoline tax on removal of gasoline, stocks and additives from the refinery or manufacturing plant were enacted as part of the tax reform bill.

*H.R. 3838 Committee Markup:* The Committee conducted 26 days of markup on the tax reform bill: Beginning on September 18; continuing on September 26, 30; October 1-4, 7-9, 11, 15, 23, 25-27, November 6, 15-17, 19-23; and concluding on December 3 when the tax reform bill, H.R. 3838, was introduced and ordered favorably reported. There was also a Committee markup on technical corrections to 1984 tax legislation on September 27, which was included as a separate Title XV to H.R. 3838.

*2. Senate Action*

*H.R. 3838:* H.R. 3838 was ordered favorably reported by the Committee on Finance on May 6, 1986, with an amendment in the nature of a substitute, after almost a year-long comprehensive review in the 99th Congress by the Committee on Finance and Subcommittees in public hearings and markup consideration. The amended bill passed the Senate by voice vote on June 24, 1986 (S. Rept. 99-313).

*H.R. 3838 Committee Hearings:* The full Committee held 36 days of public hearings on comprehensive tax reform proposals in 1985-1986. The Committee began public hearings on May 9, 1985. In 1985, Committee hearings on tax reform issues were held on June 11-13, 17-20, 25-27; July 9-11, 16-19, 24-25; September 24 and 26; and October 1-4 and 9-10. In 1986, Committee hearings were held on January 29-30; February 3-16; March 4; and April 21.

Included in the Committee's tax reform hearing consideration was the President's tax reform hearing proposal made in May 1985.

*H.R. 3838 Subcommittee Hearings:* Several Subcommittee hearings were held during 1985 and 1986 that related to subject matters included in H.R. 3838, as amended by the Committee on Finance.

SUBCOMMITTEE ON SAVINGS, PENSIONS, AND INVESTMENT POLICY.—The subcommittee held hearings on the following areas: September 9, 1985, Post-retirement health benefits; November 22, 1985, Targeted jobs tax credit extension; and January 28, 1986, Retirement Income Policy Act.

SUBCOMMITTEE ON ENERGY AND AGRICULTURAL TAXATION.—The subcommittee held a hearing on June 21, 1985, on the impact of taxation on energy policy.

SUBCOMMITTEE ON HEALTH.—The subcommittee held a hearing on September 9, 1985, on the asbestos-related disease trust fund.

SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT.—The subcommittee held a hearing on January 31, 1986, on mortgage-backed securities.

*H.R. 3838 Committee Markup:* The Committee conducted 17 days of markup on the tax reform bill: beginning on March 19, 1986; continuing on March 24-26; April 8-10, 14-18, 22, 24, 28, and May 5; and concluding on May 6, when H.R. 3838, as amended, was ordered favorably reported by a unanimous vote (20-0). H.R. 3838 as

amended passed the Senate on June 24, 1986 (voice) (S. Rept. 99–313).

*3. Conference*

*H.R. 3838:* On June 24, 1986, the Senate insisted on its amendments and asked for a conference. Conferees appointed were the following: Senators Packwood, Dole, Danforth, Chafee, Long, Bentsen, Matsunaga, Bradley, and Moynihan. On July 16, 1986, the House requested a Conference and appointed the following as conferees: Representatives Rostenkowski, Pickle, Rangel, Stark, Gephardt, Russo, Pease, Duncan, Archer, and Vander Jagt.

Conference was held on July 17, 18, 21 and August 16, 1986. The conferees filed a conference report on H.R. 3838 on September 18, 1986 (H. Report 99–841).

H.R. 3838 included the following provisions: Individual Income Tax Provisions (Title I), Capital Cost Provisions (Title II), Capital Gains and Losses (Title III), Agriculture, Timber, Energy and Natural Resources (Title IV), Tax Shelters; Interest Expense (Title V), Corporate Taxation (Title VI), Minimum Tax Provisions (Title VII), Accounting Provisions (Title VIII), Financial Institutions (Title IX), Insurance Products and Companies (Title X), Pensions and Deferred Compensation; Employee Benefits; ESOPs (Title XI), Foreign Tax Provisions (Title XII), Tax-Exempt Bonds (Title XIII), Trusts and Estates; Minor Children; Gift and Estate Taxes; Generation Skipping Transfer Tax (Title XIV), Compliance and Tax Administration (Title XV), Exempt and Nonprofit Organizations (Title XVI), Miscellaneous Provisions (Title XVII), and Technical Corrections (Title XVIII).

*House-Senate Consideration of Conference Report:* The Conference Report on H.R. 3838 was passed on September 25, 1986, by a vote of 292 yeas, 136 nays and 4 not voting in the House, and was passed on September 27, 1986, by a vote of 74 yeas, 23 nays, and 3 not voting in the Senate. A Concurrent Resolution (H. Con. Res. 395) to provide technical and clerical corrections to H.R. 3838 was passed by the House on September 25, 1986. The Senate then passed H. Con. Res. 395 on October 16, 1986. The House agreed to Senate amendments with amendments on October 17, 1986. Senate agreed to House amendments with amendments on October 17, 1986. House disagreed to Senate amendments October 18, 1986.

*4. Enactment of H.R. 3838*

H.R. 3838, the Tax Reform Act of 1986, was signed into law by President Reagan on October 22, 1986 (Public Law 99–514).

### B. DEFICIT REDUCTION

H.R. 3500, the Omnibus Budget Reconciliation Act of 1985, passed the House on October 24, 1985. H.R. 3500 included budget reconciliation legislation reported from every committee in the House except the Committee on Ways and Means. The Ways and Means Committee's reconciliation legislation was included in H.R. 3128.

H.R. 3128, the Deficit Reduction Amendments of 1985, was reported to the House by the Committee on Ways and Means on July

31, 1985. The Committee held public hearings on June 19 and 20, 1985, and subsequently marked up the legislation on July 24, 1985. H.R. 3128 was sequentially referred to the Committees on Education and Labor and the Judiciary on July 31, 1985, for a period ending not later than September 11, 1985. The Committee on Energy and Commerce was discharged from consideration of the bill on September 11, 1985. H.R. 3128 passed the House on October 31, 1985. H.R. 3500 was joined with H.R. 3128 and became the Consolidated Omnibus Budget Reconciliation Act of 1985 (H.R. 3128).

H.R. 3128 passed the Senate amended on November 14, 1985. On December 5, 1985, the House agreed to the Senate amendment with an amendment substituting the text of both H.R. 3128 and H.R. 3500 as passed by the House.

The conference report on H.R. 3128 was filed on December 19, 1985. The Senate agreed to the conference report on December 19, 1985. The House rejected the conference report on December 19, 1985. On the same day, the House receded from its amendment and concurred in the Senate amendment with an amendment (deleting the Superfund provisions). On December 19, 1985, the Senate agreed to the House amendment with an amendment (reinstating the Superfund provisions). On December 20, 1985, the House disagreed to the Senate amendment. The Senate insisted on its amendment and asked for a new conference on December 20, 1985.

The conference agreement, which was rejected, included the following provisions within the jurisdiction of the Committee on Ways and Means: medicare, medicaid, and maternal and child health programs (Title IX), private health insurance programs (Title X), single-employer plan termination insurance system amendments (Title XI), income security and related programs (Title XII), revenues, trade and related programs (Title XIII).

On March 6, 1986, the House receded from its disagreement to the Senate amendment and agreed to an amendment with an amendment (deletion of the Superfund provisions among numerous provisions). The Senate agreed to the House amendment with an amendment (relating to medicare, among numerous provisions) on March 14, 1986. On March 18, 1986, the House disagreed to the Senate amendment. The Senate insisted on its amendment on March 18, 1986. The House agreed to the Senate amendment on March 18, 1986. H.R. 3128 was signed into law on April 7, 1986 (Public Law 99–272).

*H.R. 5300*

H.R. 5300, the Omnibus Reconciliation Act of 1986, reduced the deficit pursuant to directives in the fiscal 1987 Budget Resolution (S. Con. Res. 120) and the targets in the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman). The Committee on Ways and Means held a public hearing on July 22, 1986. The Committee also held a markup on July 22, 1986, and the recommendations were incorporated into Title X of H.R. 5300. H.R. 5300 passed the House September 24, 1986. A similar bill passed the Senate September 19, 1986 (S. Rept. 99–348). The House and Senate agreed to conference. The conference report was filed October 17, 1986 (H. Rept. 99–1012). The House and Senate agreed to the con-

ference report on October 17, 1986, and it was signed into law October 21, 1986 (Public Law 99-509).

The provisions included in Public Law 99-509 within the jurisdiction of the Committee on Ways and Means are as follows: (1) Customs Service User Fee: an additional ad valorem fee of 0.5 percent of the value of commercial merchandise is imposed from December 1, 1986 through September 30, 1987. The fee is reduced to 0.2 percent thereafter; (2) Medicare: (with Energy and Commerce). The provisions limit the hospitals, and assure the prompt payment of all medicare bills. Savings also are provided in hospital capital payments, cataract surgery, clinical lab payments, nutrition supplies, and oxygen services. Costs are incurred by holding the inpatient hospital deductible to $500 in 1987 and in HMO's, quality assurance, home health care, vision and occupational therapy, appeals, and Alzheimer's Disease; (3) Eliminate 3 percent COLA Trigger: Social Security and COLA's would be paid even if inflation drops below the current 3 percent trigger, as expected; (4) Penalty for not withholding: the penalty on businesses that fail to deposit withheld taxes is doubled to 10 percent; (5) IRS enforcement: an increase in IRS funding to the levels in the House-passed Treasury appropriations bill is mandated; and (6) Conrail: the Department of Transportation is directed to sell Conrail by public offering: provisions also deal with the taxation of lump-sum wage settlements.

### C. WATER RESOURCES CONSERVATION, DEVELOPMENT, AND INFRASTRUCTURE IMPROVEMENT AND REHABILITATION

H.R. 6, the Water Resources Conservation, Development, and Infrastructure Improvement and Rehabilitation Act, was originally referred to the Committee on Public Works and Transportation. On August 1, 1985, H.R. 6 was reported with an amendment by the Committee on Public Works and Transportation. The bill was referred sequentially to various committees including the Committee on Ways and Means for consideration of such portions of the amendment as falls within their jurisdiction. The Committee on Ways and Means held a public hearing on H.R. 6 on September 5, 1985, and subsequently marked up the bill up on September 18, 1985. H.R. 6 (Title 15) was reported with an amendment from the Committee on Ways and Means on September 23, 1985.

H.R. 6 passed the House on November 13, 1985. In the Senate, similar legislation (S. 1567) was reported by the Committee on Environment and Public Works on August 1, 1985. S. 1567 was referred to the Committee on Finance on October 10, 1985, and was reported to the Senate on January 8, 1986.

H.R. 6 passed the Senate as amended March 26, 1986. The House and Senate agreed to a conference and the conference report was filed in the House October 17, 1986 (H. Rept. 99-1013). It was signed into law November 17, 1986 (Public Law 99-662).

As agreed to, Public Law 99-662 imposes an excise tax of 0.04 percent of the value of cargo in the use of a U.S. harbor or channel by a commercial vessel for loading or unloading of commercial cargo. The port use tax would not apply to: (1) Ports deauthorized prior to 1985, or ports receiving no U.S. funds since 1977; (2) cargo the transportation of which is subject to the inland waterways fuel

tax; (3) cargo shipped from the U.S. mainland to Alaska, Hawaii, or a U.S. possession for local use, cargo shipped from Alaska, Hawaii, or a U.S. possession to the U.S. mainland for local use (the tax applies to cargo shipped to or from a foreign country and to shipments of crude oil with respect to Alaska), or cargo loaded on a vessel in Alaska, Hawaii, or a U.S. possession and unloaded in the same State or possession; (4) shorthaul ferrying of passengers and vehicles between U.S. points or between the U.S. and Canada or Mexico (since the tax applies to passenger transportation); (5) fish or other aquatic animal life caught in voyage, if not previously landed on shore; (6) cargo shipped by the U.S. Government or Federal agencies; (7) de minimis transactions; and (8) certain bonded cargo entering the U.S. for transportation and direct exportation to a foreign country. The act provides for rebates of the U.S. portion of Saint Lawrence Seaway tolls to be paid out of the Trust Fund. The port use tax becomes effective on April 1, 1987.

The Act establishes a Harbor Maintenance Trust Fund in the Treasury to receive amounts equivalent to revenues from the port use and port maintenance charges and revenues from the U.S. portion of Saint Lawrence Seaway tolls. In addition, the Trust Fund will earn interest on investments of any cash balance.

The Act increases the inland waterways fuel tax to 11 cents per gallon on January 1, 1990, to 13 cents per gallon on January 1, 1991, to 15 cents per gallon on January 1, 1992, to 17 cents per gallon on Janrary 1, 1994, and to 20 cents per gallon on January 1, 1995, and thereafter. The Tennessee-Tombigbee is added to covered waterways. The Inland Waterways Trust Fund statutory language is placed in the Internal Revenue Code.

### D. CONTEMPORANEOUS RECORDKEEPING REQUIREMENTS

H.R. 1869, a bill to repeal the contemporaneous recordkeeping requirements added by the Deficit Reduction Act of 1984, was reported to the House by the Committee on Ways and Means on April 2, 1985, and passed the House without amendment on the same day. The Committee held a public hearing on H.R. 1869 on March 5, 1985.

H.R. 1869 passed the Senate amended on April 3, 1985. On May 7, 1985, the conference report was filed. It was agreed to in the House on May 8, 1985, and in the Senate on May 16, 1985. It was signed into public law on May 24, 1985 (Public Law 99-44).

The provisions in the conference agreement are as follows: (1) The word "contemporaneous" is repealed as if never enacted; (2) the substantiation of automobile deduction means that the taxpayer must have adequate records or sufficient evidence corroborating the taxpayer's own statement. An employee need not keep separate records if the employer has a specifically defined policy limiting personal use; (3) information to be requested on taxpayer's returns is the same as present law, but adds a written corroboration requirement; (4) the return-preparers penalty and the IRS temporary regulations on recordkeeping are repealed; (5) delivery trucks, buses, marked police and fire vehicles, ambulances, hearses, and any vehicle designed to carry cargo with a loaded gross vehicle weight of over 14,000 pounds, and certain buses, utility repair

trucks, moving vans and other vehicles using a de minimis amount for personal purposes are excluded from the recordkeeping requirements. The Secretary of the Treasury shall issue regulations to carry out the provisions of the act no later than October 1, 1985; (6) income tax withholding for vehicle fringe benefits are optional, allowing the employer either to include the imputed income on an employee's W-2, or withhold on whatever basis the employer finds to be most convenient. H.R. 1869 is made revenue neutral by reducing the amount of investment tax credit and depreciation for luxury automobiles. These reductions are generally effective on April 2, 1985. In addition, the present law automobile inflation adjustment was deferred until January 1, 1986.

### E. TAX TREATMENT OF IMPUTED INTEREST ON DEFERRED PAYMENT SALES OF PROPERTY

H.R. 2475 was reported to the House by the Committee on Ways and Means on May 14, 1985, and passed the House on May 21, 1985. The Committee held public hearing on H.R. 2475 on April 24, 1985.

H.R. 2475 was reported to the Senate by the Committee on Finance on June 13, 1985 and passed the Senate with amendments on June 26, 1985. The conference report was filed on August 1, 1985, and was passed by the House on that date. The Senate passed the conference report on October 1, 1985. H.R. 2475 was signed into law on October 11, 1985. (Public Law 99-121).

The conference agreement provides that the rate used to test the adequacy of stated interest on the first $2.8 million of seller financing is the lesser of 9 percent or 100 percent of the Applicable Federal Rate (AFR). The test rate for seller financed amounts over $2.8 million is 100 percent of the AFR. The 9 percent rate is not available for new property eligible for the investment tax credit. Any seller financing provided in connection with a sale-leaseback transaction must use a test rate of 110 percent of the AFR. The $2.8 million threshold amount will be indexed for inflation beginning after 1989. The AFR is to be determined on a monthly basis. Both parties are generally required to account for interest in seller-financed transactions under the accrual method of accounting. If the seller-financing amount is $2 million or less, both parties may elect to account for interest on the note under the cash method. The $2 million amount will be indexed for inflation after 1989. This election is not available if the seller if either a dealer selling property in the ordinary course of business or an accrual basis taxpayer. If the election to use the cash method is made, any person who assumes the buyer's debt also must report interest on the debt on the cash method, and any person who is the transferee of the seller's note would report interest on the note in accordance with its normal accounting method.

These imputed interest rules do not apply to any loans assumed after June 30, 1985. For this purpose, the issuance of wraparound debt is not treated as an assumption. Certain existing New York State "work-out agreements" for low-income housing are treated as an assumption. Further, for a loan by an employer to an employee to purchase a principal residence in connection with a job-related

transfer, the AFR is the rate in effect on the date the purchase contract becomes binding.

The imputed interest provisions generally apply to sales or exchanges after June 30, 1985. H.R. 2475 also lengthens the recovery period for real property (other than low-income housing) from 18 years to 19 years, effective for property placed in service after May 8, 1985. The longer recovery period does not apply to property placed in service after May 8, 1985, where there was a binding contract to acquire the property, or construction was begun on the property before May 9, 1985, as long as the property is placed in service before January 1, 1987. The changes in the required term of a lease necessary to qualify for the rehabilitation credit shall not apply to leases entered into before May 22, 1985, but only if the lessee signed the lease before May 17, 1985.

H.R. 2475 also provides that loans of $90,000 or less made by a taxpayer age 65 or older to a "continuing care facility" pursuant to a "continuing care contract", are exempt from the below-market loan rules enacted in the Tax Reform Act of 1984 and treated as advance payments of fees, and not loans. Certain other elderly care centers are also exempt.

### F. TAX TREATMENT OF PASSTHROUGH ENTITIES

The Subcommittee on Select Revenue Measures began a series of hearings designed to study the current law treatment of the various passthrough entities established or facilitated by the Internal Revenue Code. The first hearing was June 9, 1986, with invited witnesses only, the purpose of which was to explore a broad overview of the policy issues in the area of taxation of passthrough entities. The Subcommittee developed a substantial record for its consideration in the next Congress.

*REIT's, RIC's, REMIC's, and Business Development Companies*

The Select Revenue Measures Subcommittee held a second hearing on June 10, 1986, to discuss certain specific passthrough areas, including Regulated Investment Companies (RIC's) (H.R. 3397), Real Estate Investment Trusts (REIT's) (H.R. 2571), Business Development Companies (H.R. 1658), and Real Estate Mortgage Investment Conduits (REMIC's) (H.R. 4448).

Based on the record developed by the Select Revenue Measures Subcommittee and other information, changes to the tax treatment of business development companies, RIC's and REIT's were included in H.R. 3838, and REMIC legislation was formulated for the tax reform bill. Also, the Subcommittee developed a substantial record for consideration by the Subcommittee in the next Congress.

*High-Income Taxpayers and Related Partnership Tax Issues*

On September 20, 1985, the Subcommittee on Oversight held a hearing on high-income individuals who pay little or no income tax and the use of partnerships to reduce individual's tax liabilities.

The Subcommittee examined: (1) The types of tax shelters used and deductions claimed by high-income tax taxpayers to avoid paying taxes; and (2) the growth in recent years of partnerships and the impact of partnership losses on high-income taxpayers.

Testimony was received from the Department of the Treasury based on the results of its study and analyses of the subject, as requested by the subcommittee. Based on the testimony received at the hearing and other information, provisions were enacted in H.R. 3838 that restrict deductibility of losses from tax shelter activity.

### G. TAX ASPECTS OF ACQUISITIONS AND MERGERS

The Subcommittees on Oversight and Select Revenue Measures held hearings on April 1, 2, and 16, 1985 on the tax aspects of acquisitions and mergers.

The hearings focused on (1) the degree to which the Tax Code influences acquisition and merger decisions by providing tax benefits upon a change in ownership of a corporation that would not be available absent the change; (2) the availability of loss carryovers and other tax attributes following an acquisition, and the ability of a purchaser corporation to step-up the basis of the acquired corporation's assets for purposes of depreciation and depletion deductions, with only limited "recapture" income being taxed to the acquired corporation; (3) the role of other tax provisions that, while they may not be available only in a merger or acquisition situation, may have an effect on corporate acquisitions, including consideration of the deductibility of interest on debt used to finance leveraged buyouts and other acquisitions, and the use of installment obligations and ESOP's in connection with acquisitions; and (4) the economic impact of acquisitions and mergers, including their effects on productivity, employment, and technological advance.

Based on the record developed at the hearing and other information, various corporate provisions were subsequently enacted as part of H.R. 3838, including those pertaining to net operating loss carryovers, the allocation of the purchase price in certain asset acquisitions, and the repeal of the doctrine in *General Utilities & Operating Company* v. *Helvering,* 296 U.S. 200 (1935), which had allowed certain sales to be tax-free at the entity level.

### H. TAX-EXEMPT MULTI-FAMILY RENTAL HOUSING BONDS

The Subcommittee on Oversight held two days of public hearings on June 21 and August 1, 1985 to review the restrictions for multi-family residential rental property applicable to tax-exempt industrial development bonds (IDB's). In addition to seeking information on issues surrounding present law rules governing the use of tax-exempt IDB's for multi-family residential rental projects, the Subcommittee also sought information on the following issues: (1) Any revenue loss from tax-exempt IDB's and the percentage of new multi-family rental housing units financed with these bonds; (2) the impact that IDB's have on housing for lower-income persons and the demographic characteristics of tenants; and (3) the physical characteristics of projects financed with IDB's.

Based on the record developed by the Subcommittee plus other information, provisions modifying the multi-family rental housing bond rules were enacted as part of H.R. 3838.

### I. MONEY LAUNDERING OPERATIONS

The Subcommittee on Oversight conducted a hearing on September 12, 1985, on money laundering operations and the enforcement role of the Department of the Treasury. "Money laundering" is a process by which one conceals the existence, illegal source, or application of income, and then disguises that income to make it appear legitimate. Although normally associated with narcotics trafficking, money laundering specialists also work with abusive tax shelter promoters, illegal tax protestors, organized crime figures, and everyday business people trying to hide untaxed income.

The Subcommittee examined (1) how much money is being laundered and how the operations are structured; (2) the extent to which money laundering operations involve illegal and legal source funds, and the extent to which financial institutions are participating in these operations; and (3) whether present law rules and penalties, reporting requirements, and information sharing agreements are sufficient to deal with the problem.

Based on the record developed by the Subcommittee, provisions to combat money laundering were enacted as part of H.R. 3838 and in the Anti-Drug Abuse and Control Act of 1986 (Public Law 99-570).

### J. TAX-EXEMPT STATUS OF PRIVATE SCHOOLS

The Subcommittee on Oversight held hearings on November 1, 1985, and April 28, 1986, to examine the granting of tax-exempt status by the Internal Revenue Service to the Prince Edward Academy in Farmville, Virginia, and other private educational institutions that had been denied tax-exempt status based on their policies of racial discrimination.

The Subcommittee examined present law regarding the tax exemption of private schools, and current IRS administrative guidelines for granting, denying and revoking such tax exemptions. Testimony was received during the hearings from the IRS, representatives of the Prince Edward Academy and the Virginia NAACP, and other invited and public witnesses. As a result of the hearings, an action plan was developed by the IRS that identifies specific steps to be taken to improve examination cases. Also, the IRS revised its guidelines concerning the handling of cases where there is evidence of prior racial discriminatory operations by a private school.

### K. CARIBBEAN BASIN INITIATIVE

The Subcommittee on Oversight held hearings on February 25 and 27, 1986 to evaluate the impact and effectiveness of the Caribbean Basin Initiative (CBI), a 12-year trade and economic development program with the Caribbean Basin countries which authorizes preferential trade and tax measures for Caribbean Basin countries and territories (Public Law 98-67).

The Subcommittee examined: (1) The progress made as a result of enacting the CBI after two years of experience; (2) the results of negotiation of tax information exchange agreements with the CBI countries; and (3) whether legislative changes are needed to improve the effectiveness of the CBI. The Subcommittee developed a

substantial record for future consideration by the Committee on Ways and Means.

### L. COSTS AND AVAILABILITY OF LIABILITY INSURANCE

The Subcommittee on Oversight held hearings on March 13, 17, 24, and April 28, 1986, concerning the costs and availability of liability insurance.

The Subcommittee discussion centered on the following: (1) Why the cost of liability insurance has increased dramatically in recent years; (2) the extent to which liability insurance has become unavailable to certain segments of the economy; (3) whether tort reform is necessary to increase the availability of liability insurance; and (4) the current use of self-insurance by U.S. firms. The Subcommittee developed a substantial record for future consideration by the Committee on Ways and Means.

### M. ART ADVISORY PANEL

The Subcommittee on Oversight held a hearing on June 3, 1986, to review the IRS' Art Advisory Panel and related issues involving charitable contribution deductions of overvaluated artwork.

The Subcommittee considered the IRS' ability to administer the Federal tax rules governing contribution and valuation of artwork, the role of the Art Advisory Panel in this process, the extent to which overvaluation of donated artwork continues to be a compliance problem, the involvement of such charitable deductions in tax shelter schemes, the problem of undervaluation of artwork in estate and gift tax cases, and the impact of current tax penalty provisions. The Subcommittee developed a substantial record to consider recommendations for strengthening the program for handling overvaluation abuses in the area of contributions of artwork for future consideration by the Committee on Ways and Means.

### N. PENSION PLAN UNDERFUNDING

On June 24, 1986, the Subcommittee on Oversight and the Subcommittee on Social Security held a joint hearing concerning the underfunding of single-employer private pension plans and its effect on the viability of the Federal Pension Plan Insurance program. The purpose of the hearing was to identify the causes and impact of underfunding on Pension Benefit Guaranty Corporation (PBGC) plans and beneficiaries, and to consider the effectiveness of the 1985 reform measures. The Subcommittee developed a substantial record for future consideration by the Committee on Ways and Means.

### O. EVASION OF GASOLINE EXCISE TAX

On July 15, 1986, the Subcommittee on Oversight held a public hearing to ascertain the scope and significance of the evasion of Federal gasoline excise taxes. The purpose of the hearing was to develop a record for consideration by the Committee on Ways and Means on the evasion of the excise tax on gasoline. The Subcommittee examined the extent of Federal revenue loss and the enforcement efforts of various Federal agencies. Testimony was received from the Department of Justice, the Department of the

Treasury, the Internal Revenue Service, the Federal Highway Administration, and several State tax departments and industry representatives. Based on the hearing record, the Administration proposed that the incidence of the gasoline excise tax be changed to the point of removal of gasoline, stocks, and additives, from the refinery or manufacturing plant. This proposal was enacted as part of the Tax Reform Act of 1986, effective January 1, 1988.

#### P. IRS OPERATIONS AND BUDGET

The Subcommittee on Oversight held hearings regarding the operations and budget of the Internal Revenue Service as follows: (1) On March 11, 1985, to review the tax payment posting problems in the IRS Philadelphia Service Center; (2) on April 29, 1985, to review the Administration's fiscal year 1986 budget proposals relating to the IRS; (3) on June 21 and December 16, 1985, to review tax refund delays, specifically the 1985 tax return filing results and to resolve 1985 filing season problems, and to improve its operations for the 1986 filing season; (4) on September 19, 1985, to review the use of limited tax refund offsets to collect nontax Federal debts as a result of the Deficit Reduction Act of 1984 (Public Law 98–369), and to monitor Treasury regulations implementing this program for a 2-year period, on a limited basis, with selected agencies; (5) on March 4, 1986, to determine the current status of the 1986 tax return filing season, including computer equipment, command center and other communications improvements, computer tape controls, quality initiatives, taxpayer service, and staffing; and (6) on May 12, 1986 to review the fiscal year 1987 budget proposals of the Administration.

### Legislative Review of Trust Funds

#### A. SUPERFUND

Title IV of H.R. 2817, legislation to amend the Comprehensive Environmental Response, Compensation and Liability Act of 1980, was referred to the Committee on Ways and Means upon introduction. The Committee held a public hearing on May 9, 1985, and subsequently marked up H.R. 2817, on October 18, 1985. On October 28, 1985, the Committee on Ways and Means reported H.R. 2817, as amended, to the House of Representatives (H. Rept. 99–253, Part 2). On December 10, 1985, H.R. 2817 passed the House by a record vote of 391 yeas, 33 nays. Under a separate vote, the House agreed to a Downey amendment substituting a different tax title. Pursuant to the rule under which H.R. 2817 was being considered, the House agreed to Senate amendments to the text of H.R. 2005 and adding House amendments consisting of language of H.R. 2817 as passed by the House.

Consequently, Superfund legislation was included in H.R. 2005, which has been entitled the "Social Security Minor and Technical Changes Act of 1985," when it originally passed the House of Representatives. H.R. 2005 passed the Senate as amended September 26, 1985. The House and Senate agreed to a conference on February 7, 1986.

The conference agreement was filed in the House on October 3, 1986 (H. Rept. 99-962) and passed the Senate on October 3, 1986. The House passed the conference agreement on October 8, 1986. H.R. 2005 was signed into law October 17, 1986 (Public Law 99-499).

The revenue provisions provide $8.5 billion in Superfund revenues over 5 years, including $2.75 billion from a petroleum tax of 8.2 cents per barrel on domestic crude oil ($1.25 billion) and 11.7 cents per barrel on imported petroleum products including imported crude oil ($1.50 billion); a tax on chemical feedstocks imposed on the prior law list of taxable substances at prior rates ($1.4 billion); and $2.5 billion from a new environmental tax of $12 per $10,000 corporate alternative minimum taxable income (there is an exception for alternative minimum taxable income below $2 million). Special rules are provided for xylene and certain other chemicals, and there is a tax on imported chemical derivatives and a credit for exported chemical derivatives. General revenue provides $1.25 billion ($250 million of general revenue appropriations authorized for the Supefund of each of fiscal years 1987-1991) and interest and recoveries estimated to raise $.3 billion each. The Post-Closure Liability Trust Fund and tax were repealed retroactively. The agreement also provides for a Leaking Underground Storage Tank (LUST) Trust Fund funded by a tax on fuels of 0.1 cent per gallon for 5 years to raise $500 million.

The conference agreement deletes natural resource damage and assessment claims as a Superfund expenditure purpose. Advances to the Superfund may not exceed tax revenues for the following 24 months. All advances must be repaid by December 31, 1991. The Superfund trust fund provisions are effective on January 1, 1987.

### B. HIGHWAY TRUST FUND

H.R. 3129, the Surface Transportation and Uniform Relocation Assistance Act of 1986, was amended by the Committee on Ways and Means on July 22, 1986, concerning the provisions within its jurisdiction. It passed the House on August 15, 1986, and passed the Senate as amended on September 24, 1986. The House and Senate agreed to a conference. The tax provisions agreed to in the House are as follows: (1) 5-year extension of present law highway-related excise taxes and exemptions through September 30, 1993; (2) 5-year extension of authority to spend from the Highway Trust Fund (through September 30, 1993), and updating of the trust fund statute to reflect the trust fund authorization purposes in H.R. 3129 as reported by the Committee on Public Works and Transportation; (3) a provision which requires the Treasury Department, in consultation with the Department of Justice, the Federal Highway Administration, State highway administrators, and industry representatives, to submit to the Congress a report no later than December 31, 1986, on the extent to which the Federal gasoline tax is being evaded and an assessment of what administrative options and changes, including enforcement and audit, as well as legislative proposals may be appropriate. In addition, the Committee requested information on the extent to which other Federal excise taxes, such as (but not limited to) diesel fuel, aviation fuel, tobacco,

and alcoholic beverages, are being evaded or not collected. The Treasury Department is encouraged to address the gasoline excise tax issue first and to submit information thereon as soon as possible; (4) a provision which reduces the 9-cents-per-gallon exemption for neat methanol and ethanol fuels to 6 cents per gallon, as provided in H.R. 3838, the Tax Reform Act of 1985, as passed by the House, and the Senate amendment thereto; and (5) a technical correction provision, as included in H.R. 3838, providing a full refund of 15 cents per gallon of the diesel fuel tax for school buses. A conference report was never filed.

### C. INLAND WATERWAYS TRUST FUND

Refer to Water Resources Conservation, Development, and Infrastructure Improvement and Rehabilitation (H.R. 6), listed above.

## EXPIRING PROVISIONS

The Committee continued to review expiring provisions in the tax law. In 1985, several bills addressed the extensions of expiring provisions on a temporary basis: H.R. 3918 (P.L. 99–181), H.R. 3981 (P.L. 99–189), H.R. 3992, and H.R. 4006 (P.L. 99–201).

In 1986, the following expiring tax provisions were incorporated in H.R. 3838: incremental research tax credit, targeted jobs tax credit, attorneys' fees, moratorium on the Tax Reform Act of 1976 net operating loss carryover rules, moratorium on Code section 861 research allocation rule, rules for spouses of Vietnam MIA's, moratorium on faculty housing regulations, barriers to the handicapped, residential solar energy tax credit, business energy tax credits, credit for fuels from nonconventional sources, neat alcohol fuels and taxicab fuels tax exemption, exclusions for education assistance programs, qualified group legal plans, and dependent care assistance programs. The cigarette excise tax was made permanent at 16 cents per pack in the budget reconciliation bill (H.R. 5300). The following provisions expired: residential and geothermal energy tax credits.

## SUBCOMMITTEE ON TRADE

### *Tariff, Trade, and Customs Laws*

The 99th Congress has been an active Congress for the Subcommittee on Trade in terms of both oversight and legislation. Members of the Subcommittee and the trade staff, through formal briefings and informal meetings, were in constant touch with agencies in relation to the administration of statutes and programs under jurisdiction of the Subcommittee. Throughout the 99th Congress, Members and staff also met with private sector representatives (business, labor, and consumers interests) and foreign delegations (government and private) on trade issues of concern to the Subcommittee. In addition to responsibility for multilateral and bilateral trade negotiations and agreements, the Subcommittee on Trade exercises oversight and legislative jurisdiction in the areas of customs and customs administration, the U.S. International Trade Commission, unfair trade practices, import relief trade matters, trade adjustment assistance, and special trade-related problems involving

market access (including statistical programs involving exports, imports, and domestic production) generally and with respect to particular industries, trade with developing countries, operations of multinational corporations, and East-West trade.

As a result of the increased focus on trade matters by the Committee on Ways and Means during the 99th Congress and in anticipation of major trade legislation in the 100th Congress, the staff prepared for the use of the Committee a document entitled, "Overview and Compilation of U.S. Trade Statutes," to provide a description of the provisions, operation, and background of existing U.S. foreign trade laws and programs, as well as the text of the current statutory provisions.

### A. TRADE POLICY AND TRADE AGREEMENTS OVERSIGHT

Subcommittee members and the trade staff have maintained close and continual oversight of the implementation of international trade agreements by the United States and by foreign governments, and of continuing developments in trade policy and administration of the trade statutes.

The Subcommittee has received frequent briefings by representatives of the Executive branch having responsibility in the trade area. Members and staff have continued bipartisan visits to Geneva to attend meetings under the auspices of the General Agreement on Tariffs and Trade (GATT), to meet with foreign delegations, and to maintain close liaison with the U.S. Trade Representative's Office in Geneva. Oversight visits have also been made to key GATT member capitals and to Brussels for meetings with officials of the European Communities and the Customs Cooperation Council (CCC). Individual Members also attended the GATT Ministerial-level meeting in Punta del Este, Uruguay, in September 1986 as advisers to the U.S. delegation to launch a new Round of multilateral trade negotiations.

Further, staff also continues to attend meetings of the private sector advisory committees representing industry, agriculture, labor, and consumers, to provide advice to the Executive branch on trade agreement implementation and current trade policy issues. The Subcommittee, through its annual review under the Budget Act, seeks to ensure that the President's budget requests for the Office of the U.S. Trade Representative, the Department of Commerce, the U.S. Customs Service, and the U.S. International Trade Commission are adequate for these agencies to carry out their statutory trade functions.

During the 99th Congress the Subcommittee on Trade conducted an extensive fact-finding mission through the countries of East and South Asia between August 1 and 24, 1985, for the purpose of reviewing bilateral and regional economic and trade issues. Nine members of the full Committee also participated. The primary purpose of the mission was to examine opportunities for improving commerce and trade with our Asian trading partners.

During the visits to Canada, Japan, China, India, Nepal, Thailand, and Hong Kong, the delegation visited twelve cities, conducted seven press conferences, and participated in over fifty meetings and official functions. In each capital, the delegation held construc-

tive and frank talks with heads of government, parliamentary leaders, key trade officials, resident U.S. business representatives, and U.S. Embassy personnel. In addition, the delegation toured factories, development zones, and port facilities in several countries in order to view firsthand their production techniques and industrial capacity. The visit was accorded a great deal of importance by foreign leaders and media in each country.

Members and staff prepared extensively prior to departure for the mission. In addition to numerous briefings by Administration officials and consultation with Asian Ambassadors and diplomats, the Subcommittee held a public hearing on trade with Pacific Rim countries on July 18, 1985. Testimony was received from the U.S. Trade Representative and the Secretary of Commerce, as well as from U.S. business leaders with direct business experience in Asia.

In addition to, or in conjunction with specific legislation cited below, the Subcommittee also held hearings on the following subjects as part of its oversight activities:

Fiscal year 1986 authorizations for the U.S. Customs Service, ITC, and USTR, and trade recommendations for March 15 report to Budget Committee.

Japanese voluntary restraints on auto exports to the United States.

Current conditions in the textile and apparel industries.

Trade adjustment assistance.

Natural resource subsidies.

Trade Emergency and Export Promotion Act.

Certain tariff and trade bills.

Trade policy agenda and outlook for 1986.

Telecommunications Trade Act of 1985.

Trade reform legislation.

MFN trading status for the Socialist Republic of Romania, the Hungarian People's Republic, and the People's Republic of China.

Requirements of the manufacturing clause of the copyright law.

International Drug Enforcement Act.

United States in the international economy.

Results of the GATT Ministerial meeting held in Punta del Este, Uruguay.

### B. TRADE REFORM LEGISLATION

The most intensive legislative activity of the Subcommittee on Trade during the 99th Congress was development of a bill, H.R. 4750, the Comprehensive Trade Policy Reform Act of 1986, introduced by Chairman Rostenkowski and other Committee on Ways and Means cosponsors, and reported to the House on May 6, 1986. This bill subsequently was incorporated as Titles I, II, and VIII of H.R. 4800, the "Trade and International Economic Policy Reform Act of 1986," which passed the House on May 22, 1986.

The bill was developed after the Subcommittee held 8 days of hearings with Administration and private sector witnesses on the operation of the basic trade statutes, proposals for administrative

and legislative improvements, and the need for additional authorities.

Based on the hearing material and subsequent consultations between Members, staff, and private sector interests, the Subcommittee developed under the leadership of Chairman Gibbons legislation during the spring of 1986 focusing on extensive amendments to strengthen all the trade statutes providing U.S. industry and workers relief from injurious foreign unfair trade practices or injurious import competition. The bill also provided the President extended trade agreement authorities to achieve various objectives in multilateral or bilateral negotiations, including telecommunications products and services and intellectual property rights.

### C. OTHER LEGISLATIVE ACTIVITY

In addition to omnibus trade reform legislation, the Subcommittee on Trade and full Committee on Ways and Means reported the following trade legislation in the 99th Congress:

*1. Textile and Apparel Trade Enforcement Act of 1985*

H.R. 1562 established permanent quotas by statutory formula with few product exemptions on textile and apparel imports from all countries except Canada and the European Community; imposed 8-year global quotas on nonrubber footwear imports: mandated the President to negotiate voluntary production restraint agreements with major copper producing countries; required study and reports on foreign labor practices.

The Committee reported the bill on September 30, 1985, which passed the House on October 10, 1985, and the Senate on November 13, 1985. The attempt to override the Presidential veto of the bill failed in the House on August 6, 1986.

*2. Telecommunications Trade Act of 1986*

H.R. 3131, sequentially referred from the Committee on Energy and Commerce and reported by the Committee on Ways and Means April 15, 1986, in the form of a substitute, set forth negotiating objectives and provided trade agreement authorities for achieving more open foreign markets for international trade in telecommunications products and services. These provision were incorporated as Title II of H.R. 4800, which passed the House on May 22, 1986.

*3. Trade Adjustment Assistance Reform and Extension Act of 1986*

Sections 13001–13009 of H.R. 3128, the Consolidated Omnibus Budget Reconciliation Act of 1985, reauthorized worker and firm TAA programs for 6 years until September 30, 1991; various amendments further emphasized worker job search and training and eliminated financial assistance to firms. The legislation was enacted on April 7, 1986.

*4. Customs User Fees*

Fees for customs processing of passengers, vessels, aircraft, and vehicles were included in the Consolidated Omnibus Budget Reconciliation Act of 1985 (H.R. 3128), reported by the Committee on Ways and Means on July 31, 1985, and enacted on April 7, 1986.

Additional fees for the processing of formal merchandise entries were incorporated in the Omnibus Budget Reconciliation Act of 1986 (H.R. 5300) which was enacted on October 16, 1986.

*5. Customs Authorization*

A total authorization level of $772,141,000 was approved for the U.S. Customs Service for fiscal year 1986 as part of the Consolidated Omnibus Budget Reconciliation Act of 1985. This amount was increased to $1,001,180,000 for fiscal year 1987 by the Omnibus Budget Reconciliation Act of 1986.

*6. Customs Enforcement Act of 1986*

The Customs Enforcement Act of 1986 was developed in Subcommittee and reported by the full Committee as H.R. 5410 on August 15, 1986, to make a number of amendments to the Tariff Act of 1930 to strengthen Customs' enforcement capabilities to detect and apprehend smugglers and to interdict narcotics. It also gave the President authority to take trade actions against "uncooperative drug source nations." The Act was incorporated in the comprehensive "Anti-Drug Abuse Act of 1986" (H.R. 5484 as amended), enacted on October 27, 1986.

*7. Anti-Apartheid Act of 1986*

H.R. 4868, as reported by the Committee on Ways and Means on June 16, 1986, included among broader sanctions against South Africa the prohibition of imports of uranium ore and oxide, coal, iron and steel, textiles, military articles, agricultural products and food, sugar, and products of South African parastatal organizations. Congress overrode a Presidential veto of more comprehensive import sanctions passed by the House and Senate and enacted on October 2, 1986.

*8. Grey Market Autos and Mirror Certification*

After receiving sequential referral from the Committee on Energy and Commerce on sections 6 and 7 of the Motor Vehicle Safety Authorization Act of 1986 (H.R. 2248), and Committee favorably reported such provisions with amendments on September 29, 1986. Section 6 provided a mechanism for the safe conversion of imported "grey market vehicles" so that they meet U.S. safety standards; section 7 is directed at the Japanese practice of not allowing U.S. automobile companies to "self-certify" that their vehicles meet Japanese safety standards. In the absence of a declaration that such self-certification is acceptable in Japan, section 7 would require a certification system for imported Japanese cars in the U.S. which is similar to that accorded in Japan to U.S. exported cars. This bill died in conference and did not become law.

*9. Compact of Free Association Between the United States and the Government of Palau*

H.J. Res. 625 reported by the Committee on Ways and Means on September 29, 1986, included among the economic benefits granted by the United States under the Compact duty-free treatment of all imports from Palau which meet specific rule-of-origin requirements

and do not exceed "competitive need" limits, except for certain statutory product exclusions and a duty-free quota on canned tuna.

*10. Miscellaneous Tariff and Trade Legislation*

During each session of the Congress, the Subcommittee on Trade holds public hearings and reports to the full Committee on Ways and Means miscellaneous tariff and trade bills proposing temporary duty reductions, suspensions of duties, or changes in classification relating to individual products or import entries. These bills are carefully considered in light of compelling circumstances of inadequate domestic supply. unusually demanding conditions, or long-run changes in market conditions warranting special legislation. The legislative activity devoted to miscellaneous bills provides an important oversight tool for reviewing the tariff system and its impact on individual competitive situations.

During the 99th Congress, the Subcommittee favorably reported over 60 miscellaneous tariff bills which were incorporated as Title VIII of H.R. 4800, which passed the House on May 22, 1986.

In the closing days of the Congress, the House passed an omnibus miscellaneous tariff bill (H.R. 5686), which contained a number of noncontroversial provisions from Title VIII of H.R. 4800 as well as additional noncontroversial provisions introduced subsequent to House passage of H.R. 4800, providing for permanent duty-free entry, suspension of duties, and classification changes on a number of products. No action was taken in the Senate.

## Subcommittee on Health

Many changes and refinements to Medicare part A and part B were enacted during the 99th Congress. Much of this legislation provided refinements to the Medicare part A prospective payment system provided for in the Social Security Amendments of 1983, Public Law 98-21. Also enacted were various changes and limitations in the method of reimbursement under part B. In addition, new Medicare benefits were introduced and current benefits expanded. Furthermore, legislation was enacted to insure continued access to employer-based health insurance for those who would otherwise have lost coverage. During the 99th Congress, the Subcommittee on Health conducted 14 hearings to provide it background information on legislative initiatives pending before the Subcommittee.

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), Public Law 99-272, extended the transition to national DRG rates for all prospective payment system (PPS) hospitals, except those located in the State of Oregon. Therefore, the 3-year transition period, during which a declining portion of the total prospective payment will be based on a hospital's historical costs and an increasing portion will be based on a combination of regional and national rates, was increased to 4 years. Other major changes under part A in Public Law 99-272 included revision of the hospital wage index, a reduction in the indirect teaching adjustment, and a limitation on the direct medical education payments under PPS. As a result of insufficient action by the Secretary of Health and Human Services to effectively compensate hospitals serving a

disproportionate share of low-income patients, COBRA provided for additional payment amounts to hospitals serving this type of population meeting certain criteria.

In response to concerns surrounding the denial of medical care to patients in emergency situations, Public Law 99-272 placed certain responsibilities on Medicare participating hospitals with emergency departments to provide a medical screening examination and treatment for any individual with a medical emergency.

COBRA extended the freeze on payments to, and charges of, nonparticipating physicians through December 31, 1986. During the month of April, physicians were able to change their participation status. Participating physicians received a 4.15 percent prevailing charge increase effective May 1. Future participation cycles will begin in January beginning in 1987.

Furthermore, COBRA provided that Medicare coverage would be extended on a mandatory basis to all new State and local government employees hired on or after March 31, 1986. States would be permitted to extend Medicare coverage (without extending coverage under Social Security cash benefits) to those hired prior to April 1986 by voluntary agreement with the Secretary.

Other major provisions in Public Law 99-272 included: repealing the sunset provision thereby making the hospice benefit a permanent part of the Medicare program; provided for at least five demonstration programs to determine whether and how it would be cost effective to include preventive services in the Medicare program; and provided a limitation on the part A penalty for late enrollment.

Public Law 99-272 included a provision which requires employers with 20 or more employees, who maintain an employer provided group health plan, to allow certain employees and their family members to remain in the group health plan at their own expense when they would have otherwise lost their coverage. Employees, voluntarily or involuntarily terminated, may continue in the health plan, at the employee's cost of no more than 102 percent of the applicable premium for up to 18 months, while widowed, divorced, and legally separated spouses and dependents may continue for up to 3 years.

The Omnibus Budget Reconciliation Act of 1986 (OBRA), Public Law 99-509, provided for refinements and adjustments to the Medicare program, with special emphasis to payments under part A. Capital related payments for prospective payment (PPS) hospitals, except sole community hospitals, would be reduced by an increasing percentage for fiscal years 1987 through 1989. With some adjustments applied, hospitals located in Puerto Rico will be included in PPS. Several provisions were adopted that would increase hospital payments to rural hospitals. Provisions providing for an improvement in the classification and payment system to better account for severity of illness and case complexity were also included. Except for certain hospitals receiving disproportionate share payments, periodic interim payments (PIP) to PPS hospitals would be eliminated. The legislation provided that 95 percent of all "clean" Medicare claims submitted for both parts A and B are required to be paid within 30 days after receipt by the intermediaries and carriers. Major improvements relating to the quality of care, including

requiring a notice of hospital discharge rights for beneficiaries, and the development of a uniform needs assessment instrument to evaluate the need for post-hospital care were also part of Public Law 509.

Public Law 99-509 provided all physicians under part B a 3.2 percent prevailing charge update in January 1987. The differential established in Public Law 99-272 between the prevailing charges of a participating and nonparticipating physician will become permanent. Maximum allowable actual charge limits for nonparticipating physicians were established for a 4 year period. In addition, OBRA places limits on payments to and charges of physicians performing surgical and anesthesia services connected with cataract surgery. The Secretary is authorized to establish payment levels for other procedures, under the inherent reasonableness authority with specified criteria applied, based on considerations other than the actual, customary and prevailing charge.

Several changes in the End Stage Renal Disease Program were made: the number of networks was reduced to no less than 17 and funded through a 50 cent reduction of facility rate payments. Their responsibilities were increased to include medical review of the facilities. A National Registry is to be established and standards for reuse of dialysis filters are mandated. In addition, immunosuppressive drugs furnished to a transplant patient within 1 year of a transplant are now covered.

Other major provisions included in Public Law 99-509 were: Medicare participating health maintenance organizations amendments; revised and expanded coverage to services furnished by certified registered nurse anesthetists and physician assistants; and vision care and occupational therapy services were expanded. In response to the large increase in the Medicare part A deductible, Congress set the calendar year 1987 deductible at $520. Without intervention, the deductible would have increased to $572 in 1987 from $492 in 1986.

### Subcommittee on Social Security

During the 99th Congress the Committee approved several legislative changes in the Social Security program. The majority of these revisions were incorporated in two major pieces of deficit reduction legislation, the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272) and the Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509). Through its Subcommittee on Social Security, the Committee conducted substantial oversight of the management and the administration of the Social Security retirement and disability programs.

With respect to legislation, the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272) included a variety of minor and technical legislative changes that the Committee had originally approved in the form of H.R. 2005. Additionally, Public Law 99-272 contained provisions to: (a) Exempt wages paid retired Federal judges performing active duty for the purposes of the FICA taxation and the Social Security earnings limitation; and (b) to protect certain Social Security beneficiaries who receive overpayments through the electronic direct deposit system.

The Omnibus Budget Reconciliation Act of 1986 (Public Law 99-509) included two significant Social Security provisions developed and approved by the Committee. The first eliminated the requirement that the annual rise in the Consumer Price Index must exceed 3 percent in order for a cost-of-living adjustment to be paid to Social Security beneficiaries. Under the new law, a cost-of-living adjustment will be paid in any year in which there is a measurable increase in consumer inflation. Second, Public Law 99-509 removes from the States the responsibility for collecting and depositing with the Federal Government Social Security contributions on behalf of their political subdivisions. All State and local entities will now deposit their Social Security contributions directly to the Federal Government on a time schedule that parallels the treatment of private employers.

The Emergency Deficit Reduction and Balanced Budget Act of 1985 (Public Law 99-177) contained a provision to remove the receipts and disbursements of the Social Security trust funds from the unified budget, and to prohibit consideration of legislative changes in Social Security as part of the congressional budget process. Removing the Social Security trust funds from the unified budget was the subject of Subcommittee on Social Security hearings in early 1985, and the provision contained in Public Law 99-177 parallels in certain respects legislation the Subcommittee had approved on September 19, 1985, as part of H.R. 3470.

Following extensive hearings held by the Subcommittee on Social Security, the Committee reported H.R. 5050, legislation to establish the Social Security Administration as an independent agency and to prohibit the Secretary of the Treasury from disinvesting the Social Security trust funds as a means of circumventing the statutory limit on the public debt. The independent agency proposal was a result of a review conducted by the Subcommittee on Social Security in both the 98th and 99th Congresses of alternative proposals to fundamentally reorganize the administration of Social Security to restore continuity, stability, and excellence to the management of the program. The disinvestment provisions resulted from an oversight investigation undertaken by the Subcommittee on Social Security in the fall of 1985 that determined the Secretary of the Treasury had unilaterally cancelled bonds issued to the Social Security trust funds as a method of extending the amount of time the Treasury could continue to operate without incurring debt in excess of the statutory ceiling. H.R. 5050 passed the House by a vote of 401 to 0 on July 22, 1986, but was not considered by the Senate before the adjournment of the 99th Congress.

During the 99th Congress the Subcommittee on Social Security held several hearings regarding the quality of service the Social Security Administration provides to the public. The Subcommittee hearings particularly focused on the effects on public service that would result from the closure of substantial numbers of agency field offices as well as the ramifications of major reductions in overall agency staffing levels. In addition, the Subcommittee held hearings on the Administration's progress in implementing the major changes made by the Social Security Disability Benefits Reform Act of 1984 (Public Law 98-460) and current problems related to the hearings and appeals process in the disability program.

In conjunction with the Subcommittee on Oversight, the Subcommittee on Social Security began in the 99th Congress a major review of retirement income security in the United States. A number of hearings were held in this area, both on the broad question of the adequacy of Federal retirement income policies as well as on more specific issues, such as the problem of private pension plan underfunding. This review covers a wide range of cross-cutting issues and has potential implications for many programs under the jurisdiction of the Committee, including Social Security and the many provisions in the Internal Revenue Code that encourage private pension, savings, and deferred compensation arrangements.

### Subcommittee on Public Assistance and Unemployment Compensation

The Subcommittee on Public Assistance and Unemployment Compensation has legislative and oversight responsibility over the following programs authorized by the Social Security Act: (1) Aid to Families with Dependent Children (AFDC); (2) Child Support Enforcement (CSE); (3) Supplemental Security Income (SSI): (4) Social Services (Title XX): (5) Child Welfare, Foster Care and Adoption Assistance; (6) Unemployment Compensation (UC); and (7) Railroad Unemployment Compensation. In addition, the Subcommittee has legislative responsibility for the Federal Unemployment Tax Act (FUTA) under Chapter 23 of the Internal Revenue Code.

In the 99th Congress, the Subcommittee pursued its legislative and oversight responsibilities pertaining to the public assistance and unemployment compensation programs under its jurisdiction and considered President Reagan's budget reduction proposals. Oversight activities were almost always related to specific legislation and/or budget reduction proposals. In the following sections, the hearings held by the Subcommittee and the legislative action taken are briefly described.

#### A. AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) AND CHILD SUPPORT ENFORCEMENT (CSE)

*Hearings.*—On April 25, 1985, the Subcommittee held a hearing on State requests for "good faith" waivers of fiscal disallowances for erroneous payments in the AFDC program during Fiscal Year 1981 (Serial 99–13).

On April 30, 1985, the Subcommittee held a hearing on poverty and hunger in America which included a field visit in Washington, DC (Serial 99–4).

On May 7, 1985, the Subcommittee held a hearing on teenage pregnancy issues and their implications for the AFDC program. The hearing focused on the degree to which teenage parents become dependent on welfare programs for support and suggestions for solving this problem (Serial 99–33).

On May 22, 1985, the Subcommittee held a hearing on children in poverty. The purpose of the hearing was to provide Members with a briefing on the report, "Children in Poverty," prepared by the Congressional Budget Office and the Congressional Research Service for the Subcommittee (Serial 99–18).

On June 21, 1985, the Subcommittee held a hearing on amendments to the AFDC quality control program. The focus of the hearing was the need to reform the AFDC quality control program (Serial 99-17).

On February 18, 1986, the Subcommittee held a second hearing on the issue of teenage pregnancy. This hearing focused on pregnancy among black teenagers and included viewing the Bill Moyers television special, "The Vanishing Family: Crisis in Black America" (Serial 99-60).

On February 27, 1986, the Subcommittee held a hearing on the President's AFDC work proposals and the White House Domestic Policy Council evaluation of Federal welfare programs (Serial 99-67).

On March 13, March 20, April 22, May 22 and June 17, 1986, the Subcommittee held a series of hearings on work, education and training opportunities for welfare recipients. Testimony was received from a variety of witnesses including State, localities, labor, business, recipients and advocates (Serial 99-91).

On June 9, 1986, the Subcommittee held a hearing, in Memphis, Tennessee, on poverty in the South and southern States' programs designed to break the cycle of poverty (Serial 99-94).

On December 12, 1986, the Subcommittee held a hearing in New York, New York, on the use of emergency assistance funds for the acquisition of temporary and permanent housing for homeless families.

*Legislation.*—In April of 1986, the Congress enacted the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272). The Act includes the following AFDC amendments:

1. *AFDC quality control.*—Prohibits collection of AFDC fiscal sanctions for 2 years after enactment. During the 2 year moratorium, the Department of Health and Human Services and the National Academy of Sciences are to conduct a study to determine how best to operate the quality control system to improve administration and obtain reasonable data on which to base fiscal sanctions.

2. *Recovery of excess funding for incomplete automated AFDC systems.*—Requires the Secretary of Health and Human Services to recover 40 percent of the amounts spent on automated systems from any State that fails to implement the system by the implementation date established in the approved planning document.

3. *Counting certain payments to Indians as income.*—Directs the General Accounting Office to conduct a study of the extent, size, nature and frequency of payments to Indians from various funds which are based on their status as a member of an Indian tribe or organization.

4. *Third-party liability collections (AFDC eligibility).*—Requires the assignment of rights to medical support to the State as a condition of AFDC eligibility.

In October of 1986, Congress enacted H.R. 5300, the Omnibus Budget Reconciliation Act of 1986 (P.L. 99-509). The Act includes the following AFDC and CSE amendments:

1. *Targeting the use of the income and eligibility verification system.*—Clarifies that the system is to be targeted to those uses which are likely to be most productive.

2. *Annual calculation of the Federal percentage of AFDC expenditures.*—For fiscal year 1987 only, restores the biennial calculation of the Federal percentage for States that lost funds in the shift to an annual calculation.

3. *Retroactive modification of child support arrearages.*—Prohibits modification of arrearages prior to notifying the custodial parent.

In November of 1986, the Immigration Reform and Control Act of 1985 was enacted, Public Law 99-603. The Act provides that newly legalized aliens will be disqualified from the receipt of AFDC for a period of five years from the date they acquire legal status under the Act.

In October of 1986, Public Law 99-507 was enacted. The bill provided for greater outreach efforts on the part of the AFDC and SSI programs to assure that benefits were made available to eligible homeless persons.

### B. SUPPLEMENTAL SECURITY INCOME (SSI)

*Hearings.*—On September 17, 1986, the Subcommittee held a hearing on proposals to improve the SSI program. The hearing focused on H.R. 5595 (Serial 99-88).

*Legislation.*—In April of 1986, the Congress enacted the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272). The Act includes the following SSI amendments:

1. *Amendments relating to State supplementation under the SSI program.*—Establishes an additional method for determining compliance with the "pass-through" requirement.

2. *Preservation of benefit status for disabled widows and widowers.*—Permits those who lost SSI benefits because of 1983 changes in the actuarial reduction formula to apply for protection and to be deemed to be receiving SSI benefits for purposes of Medicaid eligibility.

In November of 1986, the Employment Opportunities for Disabled Americans Act was enacted (P.L. 99-643). The Act contains the following amendments:

1. *Section 1619 of the Supplemental Security Income program was made permanent.*—Section 1619 provides for the continuation of eligibility for cash benefits and/or Medicaid for disabled SSI recipients who are able to work in spite of the continuation of their impairments.

2. *Repeal of SSI-Trial Work Period and Extended Period of Eligibility Provisions.*—The current law's provision for a nine month Trial Work Period and 15 month Extended Period of Eligibility would be repealed effective July 1, 1987.

3. *Reinstatement to SSI or Section 1619 status if in a 12 month "suspended eligibility status".*—Provides that an individual who becomes ineligible for SSI or for assistance under Section 1619 can be reinstated without a new determination of disability if such reinstatement is within 12 months of leaving SSI or 1619 status. Effective July 1, 1987.

4. *Movement from Section 1619(b) medicaid only status to cash benefit status.*—An individual who has been eligible for Medicaid only under Section 1619(b) will be eligible to move to cash benefit

status under SSI or 1619(a) without a new determination of disability. Effective July 1, 1987.

5. *Medical condition reviews.*—A review to determine that an individual continues to have the disabling impairment will be required within 12 months of becoming eligible under 1619. Individuals with higher earnings, i.e., above the SSI earned income disregard breakeven point, will be required to have a medical review related to medical improvement when they move to cash benefit status and when reinstated from the suspended eligibility status. Effective July 1, 1987.

6. *Required continuation of medicaid for certain SSI recipients who lose SSI eligibility.*—The Act will require States to continue Medicaid coverage for those individuals who lose their eligibility for SSI when their income increases because they become newly eligible for social security benefits as an adult disabled child or because of an increase in their benefits as an adult disabled child.

The legislation also requires States who have chosen to not provide Medicaid for all SSI recipients (209(b) option) to continue Medicaid coverage for those SSI recipients who were eligible for Medicaid under a State's more restrictive criteria beginning with the time the individual becomes eligible under Section 1619. Effective July 1, 1987.

7. *Payment of benefits due deceased recipients.*—The legislation provides for payment of benefits on behalf of a deceased SSI recipient to an ineligible spouse of a deceased recipient and to the parent of disabled or blind child who has died. The old law provided for such payments only in the case of a spouse who was also eligible for SSI. Effective May, 1986.

8. *Treatment of certain couples in medical institutions.*—Provides that a State would not be required to apply the SSI rule that considers members of a couple sharing a room in a medical institution as two eligible SSI individuals instead of a SSI couple if such a rule would disadvantage either member of a couple in determining eligibility under other State programs under the Social Security Act.

### C. TITLE XX SOCIAL SERVICES, CHILD WELFARE, FOSTER CARE AND ADOPTION ASSISTANCE

*Hearings.*—On September 19, 1985, the Subcommittee held a hearing on amendments to the foster care and adoption assistance programs (Serial 99-54).

*Legislation.*—In April of 1986, the Congress enacted the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272). The Act includes the following foster care and adoption assistance amendments:

1. *Provisions relating to Medicaid coverage under the adoption assistance and foster care programs.*—Removes the need for an actual adoption assistance payment to be made for the adopted child to be deemed eligible for Medicaid. Provides that children with an adoption assistance agreement or in foster care under title IV-E are eligible for Medicaid in the State in which the child resides. Provides for Medicaid eligibility if an adoption assistance agreement is in effect, whether or not a final adoption decree has been issued.

2. *Extension of ceiling on AFDC foster care funds and of State authority to transfer funds to child welfare services.*—Extends, through fiscal year 1987, the ceilings on AFDC foster care funds when annual child welfare services appropriations equal at least $266 million. Also extends formulas for calculating each State's ceiling and authority to transfer unused foster care funds to child welfare services.

3. *Extension of authority for AFDC foster care payments on behalf of children placed in foster care under a voluntary placement agreement.*—Extends this authority through Fiscal Year 1987.

4. *Independent living initiatives.*—Authorizes $45 million each for fiscal years 1987 and 1988 for State entitlement programs to help AFDC foster care children age 16 and over prepare for independent living.

In October of 1986, the Tax Reform Act of 1986 was enacted, Public Law 99-514. The Act repealed the itemized deduction for adoption expenses and amended Title IV-E of the Social Security Act to allow for Federal matching of State reimbursement of nonrecurring expenses in the adoption of special needs children. The Act also eliminated the requirement for detailed recordkeeping as a condition for obtaining the exclusion from income of foster care payments.

### D. UNEMPLOYMENT COMPENSATION

*Hearings.*—On February 20, 21 and 26, 1985, the Subcommittee held a series of hearings on extension of the Federal supplemental compensation program (Serial 99-5).

On March 18, 1986, the Subcommittee held a hearing on alternative uses of the Unemployment Compensation Trust Funds to assist dislocated workers (Serial 99-89).

On June 24, 1986, the Subcommittee held a hearing on the extended unemployment compensation program (Serial 99-90).

*Legislation.*—In April of 1985, Congress enacted H.R. 1866, legislation to phase out the Federal supplemental compensation program. (P.L. 99-15) The Act made FSC payable for weeks of unemployment beginning after April 6, 1985, only to those people who received FSC for the week of March 31, 1985, through April 6, 1985. Individuals who received FSC for that week were allowed to collect the remainder of their FSC entitlement. The remaining weeks had to be collected in consecutive weeks.

In April of 1986, the Congress enacted the Consolidated Omnibus Budget Reconciliation Act of 1985 (P.L. 99-272). The Act includes the following unemployment compensation amendments:

1. *Supplemental unemployment compensation benefits for certain individuals.*—Allows certain individuals in the State of Pennsylvania to collect the remainder of their FSC benefits, notwithstanding the requirement in Public Law 99-15, that such benefits be collected in consecutive weeks.

2. *Recovery of overpayments.*—Allows reciprocal withholding of overpaid unemployment benefits regardless of the funding source.

In October of 1986, the Congress enacted H.R. 5679 (P.L. 99-595), which extended for five years the exclusion from Federal unemployment tax of wages paid to certain alien farmworkers.

## E. RAILROAD UNEMPLOYMENT COMPENSATION

*Hearings.*—On July 15, 1985, the Subcommittee held a hearing on the railroad unemployment insurance program. The purpose of the hearing was to review the recommendations of the Railroad Unemployment Compensation Committee (Serial 99–54).

*Legislation.*—In September of 1985, Congress enacted H.R. 3452, which extended, through November 14, 1985, the authority for the Railroad Unemployment Insurance Account to borrow from the Railroad Retirement Account. (P.L. 99–107).

In December of 1985, Congress enacted H.R. 3918, which extended, through December 18, 1985, the authority for the Railroad Unemployment Insurance Account to borrow from the Railroad Retirement Account. (P.L. 99–181).

In December of 1985, Congress enacted H.R. 4006, which extended, through March 15, 1986, the authority for the Railroad Unemployment Insurance Account to borrow from the Railroad Retirement Account. (P.L. 99–201).

The Consolidated Omnibus Budget Reconciliation Act of 1985, Public Law 99–272, permanently extended the authority of the Railroad Retirement Account and established a repayment tax of 3.5 percent in the event that such loans are not repaid in the year in which they are made.

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